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Thailand

Grain and Feed Update

Rice Update

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Report Highlights:

TH1125 MY2011/12 rice production is expected to remain larger than the previous year in anticipation of bumper main-crop production in the Northeast and off-season crop in the North and the Central Plain that will likely offset the production loss from flooding. Thai rice exports in 2011 have lost their momentum of 0.9 – 1.0 million tons/month since August 2011 caused by its Paddy Pledging Program.

Post:

Bangkok

Author Defined:**1. Production remains high amid the flooding**

Despite severe flooding during August – September 2011 in the main-crop rice growing areas in the North and the Central Plain, the damage will likely be less than in 2006 and 2010 (Figure 1).

Consequently, MY2011/12 rice production is expected to remain larger than the previous year in anticipation of bumper main-crop production in the Northeast, and from the off-season crop in the North and Central Plain offsetting any losses in production.

Total rice production will likely increase to 32.2 million tons of paddy (21.3 million tons milled equivalent), up 5.0 percent from the previous year's level, in anticipation of a better-than-expected average yield, particularly in the Northeast which accounts for approximately 60 percent of total main-crop planted area, due to above-normal precipitation during the reproductive stage. In addition, the quality of rice will improve this year as compared to the previous year when rainfall, prolonged by La Nina phenomenon, reduced it. Presently, the probability of the occurrence of La Nina remains low during the peak harvest of the main-harvest crop which will take place in November 2011 in the Northeastern Region which is the major growing area of fragrant rice.

MY2011/12 off-season crop production will likely increase to 9.2 million tons, up 8.0 percent from the previous year, due to acreage expansion and average yield improvement in response to an aggressive Paddy Pledging Program and record reservoir levels.

The current flooding in the lower Northern and the Central Plain regions will likely cause marginal production loss in MY2011/12 main-crop production as farmers will replant their crops right after the floodwaters recede, particularly in the lower Northern Region. In addition, in some areas, particularly in the Central Plain region which accounts for 20.0 percent of total main-crop production, the harvest was mostly completed before the flooding occurred. According to the Ministry of Agriculture and Cooperatives, the flooding areas are estimated at 6.2 million rai (1.0 million hectares), of which 5.2 million rai (0.8 million hectares) are rice crop. The Government has approved a budget of 659 million baht (\$22 million) to provide farmers with seeds to replant their crops. This assistance would cover approximately 3.7 million rai (0.6 million hectares) which have been adversely affected by the floods with a production loss of around 0.6 million tons of paddy (0.3 million tons milled equivalent).

Figure 1: Flooding areas in 2011 VS 2010 and 2006

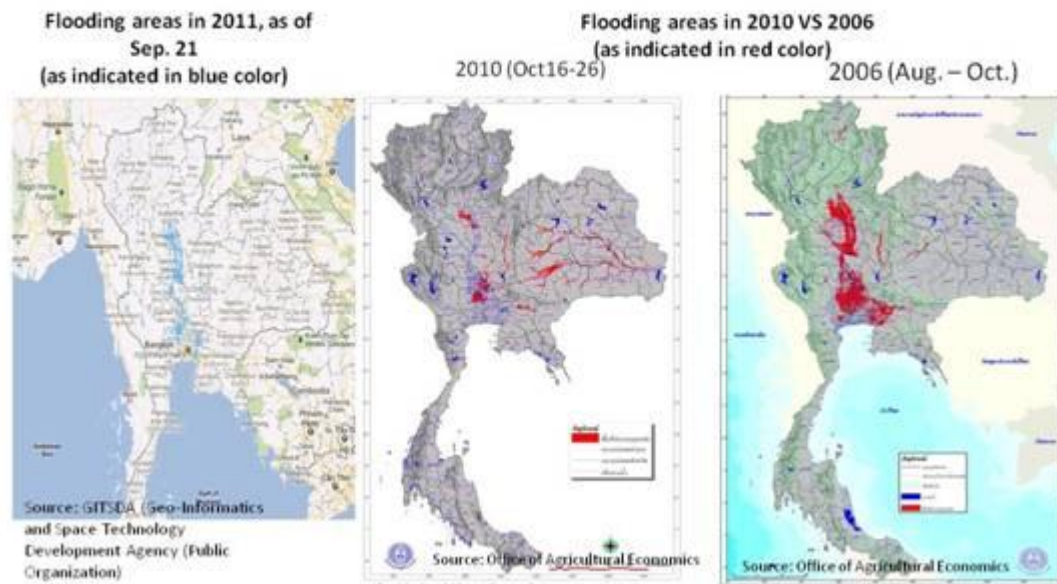


Table 1: Thailand's Paddy Area, Production, and Yield

	2004/05			2005/06			2010/11 (Mar 20-11)			2011/12 (Mar 20-11)			2011/12 (Sep 2011)		
	Wet-Crop	Second-Crop	Total	Wet-Crop	Second-Crop	Total	Wet-Crop	Second-Crop	Total	Wet-Crop	Second-Crop	Total	Wet-Crop	Second-Crop	Total
Area (in Million hectares)															
Cultivated	9,256	1,904	11,200	9,305	2,041	11,356	9,256	2,007	11,290	9,256	2,007	11,290	9,256	2,005	11,304
Not used	6,648	1,902	8,550	6,998	1,947	8,945	6,704	1,950	8,657	6,900	1,950	8,850	6,900	2,055	10,955
Production (in Million tons)															
Wet-Crop	2,165.4	6,445	8,610.4	2,207	6,200	8,407	2,230	6,500	8,730	2,230	6,500	8,730	2,230	6,500	8,730
Wet-Crop	14,295	5,554	19,849	14,005	5,402	19,407	14,032	5,400	19,432	14,700	5,400	20,100	15,100	6,002	21,102
Yield (tonnes/ha)	235	4,281	26.76	237	4,000	22.72	240	4,300	22.71	240	4,300	22.70	240	4,300	22.70

Source: FASIS Database

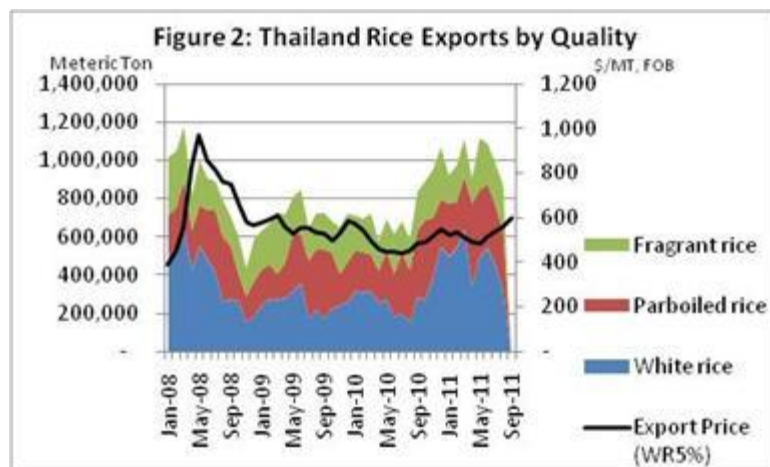
2. Thailand's export ability apparently affected by Paddy Pledging Program

Thai rice exports in 2011 have lost their momentum of 0.9 – 1.0 million tons/month since August 2011 (Figure 2). Total rice exports in September 2011 will likely decline to approximately 0.7 million tons and will trend downward for the remainder of the year and for the next year. Foreign buyers are seeking relatively cheaper rice from Vietnam and India which is around \$50/MT lower for white rice, and \$130/MT lower for parboiled rice. Not only the private exporters' lack of new enquiries has impacted exports, the Thai Government reneged to honor its government-to-government deal with the Indonesian Government, an indirect cause of the Paddy Pledging Program, as it would stand to lose money on the deal as prices for white rice have increased by 14.0 percent since the deal was finalized on August 2011. The terms of the deal were the purchase of 300,000 tons of 15% grade new-crop white rice for delivery in the last quarter of 2011 at \$550/MT (C&F). The Phua Thai Government's claims that the deal was done inappropriately by the former Government.

Thailand's rice exports are revised up to record a 10.5 million tons in 2011 driven by the sales of old-crop white rice as exporters are using the remaining old-crop white rice stocks from the Government's stock release to fulfill outstanding contracts. However, Thai rice exports are forecasted to decline significantly to 7-8 million tons in 2012 due to a reduction in white rice and parboiled rice exports. The contraction will be driven by the driven by the Government's rice intervention stock accumulation

under its Paddy Pledging Program which is expected to reach record 6-7 million tons, in addition to competition from cheaper Vietnamese white rice and Indian parboiled rice which are \$50/MT cheaper, and \$130/MT cheaper, respectively.

Post's analysis has concluded that the Government will likely hold 5-6 million tons of its intervention stock until the beginning of 2013 in order to avoid downward pressure on domestic prices in 2012. In 2013, the limited warehouse space will force the government to sell the stocks. This stock release will be most likely contingent on exports which could incur in WTO export subsidy violations, as Thailand has indicated in the Agreement on Agriculture that it does not employ export subsidies. In addition, the government stocks are usually sold below purchasing prices and market prices, as happened in early 2009 when the Government released its old-crop white rice stocks to exporters at an average price of \$340/MT which at the time was \$225/MT lower than the average market prices and \$70-90/MT lower than Vietnamese rice. Moreover, export prices were \$80-180/MT lower than domestic wholesale prices.



3. Unlimited Paddy Pledging Program Approved

On Tuesday September 13, 2011, the Cabinet approved 410 billion (\$13.7 billion) of a credit line, and 26 billion (\$0.9 billion) of a budget for the administration and storage cost of the Paddy Pledging Program for MY2011/12 main-crop paddy production, starting on October 7, 2011 and running through February 29, 2012. In addition, the Government is considering to extending the program to the end of March 2012, in order to include those farmers who have to replant their crops due to flooding. The intervention prices were set approximately 50.0 percent higher than current market prices for white rice, and 30.0 percent for fragrant rice (Table 2). No limit restrictions were imposed on the amount that can be pledged as the budget will cover all MY2011/12 main-crop paddy production. Farmers will be able to obtain immediate interest-free cash loans after bringing their paddy to designated mills. They will be able to redeem their paddy within four months for the amount of the interest-free loan, or forfeit the rice and keep the cash. During the first phase of the program (October 7 – mid December 2011), the Bank for Agriculture and Agricultural Cooperative (BAAC) will provide a credit line of 90.0 billion baht (\$3.0 billion) which should be able to buy only 6-7 million tons of paddy. The remainder of the program will be covered by loans from other government banks.

Although the program is very controversial as many sectors have voiced concerns on the possible

losses and have stated that these could amount to between 100 – 180 billion baht (\$3 – 6 billion), or up to 135 – 250 billion baht (\$4 – 8 billion) if the program is extended to MY2011/12 off-season crop. However, the Government is painting an overly optimistic picture stating that they believe they will be able to conclude government-to-government deals at high prices.

Table 2: Intervention Prices under Paddy Pledging Program (Baht/Metric Ton)											
		Paddy						Classified paddy		Pledged Paddy	Value
		Jasmine	WR 100%	WR 5%	WR 10%	WR 15%	WR 25%	long grain	mixed grain	(Metric Ton)	(Thousand Baht)
1992/93	Target price	4,200	4,200	4,100	4,000	3,900	3,800	3,450	3,150		
	Loan Price	3,780	3,780	3,690	3,600	3,510	3,420	3,105	2,835	3,383,324	10,580,210
1993/94	Target price	4,200	4,000	3,900	3,700	3,600	3,400	3,450	3,150		
	Loan Price	3,780	3,600	3,510	3,330	3,240	3,060	3,105	2,835	1,202,788	3,664,220
1994/95	Target price	4,244	4,044	3,944	3,744	3,644	3,444	3,494	3,194		
	Loan Price	3,820	3,640	3,550	3,370	3,280	3,100	3,145	2,875	1,402,931	4,229,400
1995/96	Target price	4,600	4,400	4,300	4,100	4,000	3,800	3,850	3,550		
	Loan Price	4,140	3,960	3,870	3,690	3,600	3,420	3,465	3,195	1,138,259	3,988,743
1996/97	Target price	4,760	4,560	4,460	4,260	4,160	3,960	3,980	3,670		
	Loan Price	4,280	4,085	4,005	3,815	3,725	3,535	3,580	3,300	865,113	2,968,657
1997/98	Target price	5,290	4,640	4,540	4,340	4,240	4,040	4,730	4,430		
	Loan Price	4,760	4,175	4,085	3,905	3,815	3,635	4,255	3,985	786,383	2,988,730
1998/99	Target price	6,840	5,560	5,460	5,260	5,160	4,960	6,200	5,900		
	Loan Price	6,155	5,000	4,910	4,730	4,640	4,460	5,580	5,310	677,238	3,262,777
1999/00	Target price	6,840	5,560	5,460	5,260	5,160	4,960	6,200	5,900		
	Loan Price	6,495	5,280	5,190	4,995	4,900	4,710	5,890	5,605	697,756	3,286,433
2000/01	Target price	6,840	5,560	5,460	5,260	5,160	4,960	6,200	5,900		
	Loan Price	6,495	5,280	5,185	4,995	4,900	4,710	5,890	5,605	1,618,496	8,124,849
2001/02	Loan Price	6,500	5,330	5,235	5,045	4,950	4,760	5,900	5,650	6,140,902	32,204,585
2002/03	Loan Price	6,800	5,330	5,235	5,045	4,950	4,760	5,900	5,650	5,648,743	28,842,690
2003/04	Loan Price	7,000	5,330	5,235	5,045	4,950	4,760	5,900	5,650	2,608,234	12,440,180
2004/05	Loan Price	9,700	6,600	6,500	6,400	6,300	6,200	7,200	7,000	5,508,589	44,151,600
2005/06	Loan Price	10,000	7,100	7,000	6,900	6,800	6,700	7,700	7,500	7,643,033	50,828,720
2006/07	Loan Price	9,000	6,500	6,400	6,300	6,100	5,900	7,700	7,500	3,055,687	21,928,418
2007/08	Loan Price	9,300	6,700	6,600	6,500	6,300	6,100	-	-	4,420,174	56,686,333
2008/09	Loan Price	15,000	12,000	11,800	11,600	11,200	10,800	10,000	9,000	11,527,260	129,675,587
2009/10	-	-	-	-	-	-	-	-	-	-	-
2010/11	-	-	-	-	-	-	-	-	-	-	-
2011/12	Loan Price	20,000	15,000	14,800	14,600	14,200	13,800	16,000	15,000	?	?

Source: Department of Internal Trade, Ministry of Commerce

Appendix Table: Thailand's Production, Supply and Demand

Rice, Milled Thailand	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	10,940	10,940	10,667	10,667	10,900	10,955
Beginning Stocks	4,787	4,787	6,100	6,100	6,062	5,562
Milled Production	20,260	20,260	20,262	20,262	20,750	21,252

(1000
HA)
(1000
MT)
(1000
MT)

Rough Production	30,697	30,697	30,700	30,700	31,439	32,200	(1000 MT)
Milling Rate (.9999)	6,600	6,600	6,600	6,600	6,600	6,600	(1000 MT)
MY Imports	300	300	200	200	100	100	(1000 MT)
TY Imports	300	300	200	200	100	100	(1000 MT)
TY Imp. from U.S.	4	4	0	0	0	0	(1000 MT)
Total Supply	25,347	25,347	26,562	26,562	26,912	26,914	(1000 MT)
MY Exports	9,047	9,047	10,000	10,500	8,000	8,000	(1000 MT)
TY Exports	9,047	9,047	10,000	10,500	8,000	8,000	(1000 MT)
Consumption and Residual	10,200	10,200	10,500	10,500	10,900	10,900	(1000 MT)
Ending Stocks	6,100	6,100	6,062	5,562	8,012	8,014	(1000 MT)
Total Distribution	25,347	25,347	26,562	26,562	26,912	26,914	(1000 MT)
Yield (Rough)	3.	2.8059	3.	2.878	3.	2.9393	(MT/HA)

End of report